

**Clio Area Library
Genesee County, Michigan**

**Financial Report
June 30, 2008**

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Financial Section

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Introductory Section

Clio Area Library

List of Appointed Officials

Mike Zinn

President

Suzanna Thomas

Treasurer

Sandra Vuillemot

Secretary

Ethel Howell

Sue Smith

Eileen Marshall

Financial Section



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Independent Auditor's Report

The Honorable Members of the
Clio Area Library Board of Trustees
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Clio Area Library (Library) as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Clio Area Library at June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 22, 2008

Management's Discussion and Analysis

As management of Clio Area Library (Library), we offer readers of Clio Area Library's financial statements this narrative overview and analysis of the financial activities of the Clio Area Library.

The basic financial statements for the Clio Area Library are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenue, expenditures, and changes in fund balances statement of activities and notes to the financial statements.

The statement of net assets presents the information of the entity's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental funds financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of Library are \$245,483 of which \$66,460 represents cash and cash equivalent and investments and \$179,023 represents capital assets.

Net assets decreased \$14,748 for the Library as a result of \$59,454 in expenses which are offset by program revenues of \$41,500 and interest and dividends of \$3,206.

The Library as a Whole

The following table shows, in a condensed format, the net assets of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

| | <u>Governmental Activities</u> | |
|--|--------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> |
| Current assets | \$ 66,460 | \$ 73,608 |
| Noncurrent assets: | | |
| Capital assets | 179,023 | 186,623 |
| Total assets | <u>245,483</u> | <u>260,231</u> |
| Current liabilities | - | - |
| Long-term liabilities | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |
| Net assets: | | |
| Invested in capital assets – net of related debt | 179,023 | 186,623 |
| Restricted | 4,940 | 5,209 |
| Unrestricted | 61,520 | 68,399 |
| Total net assets | <u>\$245,483</u> | <u>\$260,231</u> |

Management's Discussion and Analysis (Continued)

Summary Condensed Income Statement

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> |
| Revenue: | | |
| Program revenue: | | |
| Operating grants and contributions | \$41,500 | \$ 40,349 |
| General revenue: | | |
| Interest and dividends | 3,206 | 4,924 |
| Total revenue | <u>44,706</u> | <u>45,273</u> |
| Program expenses: | | |
| Library | <u>59,454</u> | <u>52,558</u> |
| Total program expenses | <u>59,454</u> | <u>52,558</u> |
| Change in net assets | (14,748) | (7,285) |
| Net assets – Beginning of year | <u>260,231</u> | <u>267,516</u> |
| Net assets – End of year | <u>\$245,483</u> | <u>\$260,231</u> |

Governmental Activities

The Library's total governmental revenue decreased by approximately \$567. The decrease is primarily due to an decrease in the amount of interest and dividends. Expenses increased \$6,896 during the year.

Capital Assets

At the end of 2008, the Library had invested \$179,023 in buildings and other capital assets. The capital assets and their calculated net cost comply with methods established by the Governmental Accounting Standards Board (GASB).

Debt

The Library does not have any long-term debt.

Contacting the Library's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vienna Township, 3400 West Vienna Road, Clio, Michigan 48420.

Basic Financial Statements

Government-wide Fund Financial Statements

Clio Area Library

Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2008

| | General Fund | Building Fund | Book Fund | Nonmajor Governmental Fund Permanent Fund Mary J. Lee Book Fund | Total | Adjustments (Note 2A) | Statement of Net Assets |
|---|------------------|------------------|------------------|--|------------------|--------------------------|----------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 33,692 | \$ 3,647 | \$ 1,181 | \$ - | \$ 38,520 | \$ - | \$ 38,520 |
| Investments | - | 13,000 | 10,000 | 4,940 | 27,940 | - | 27,940 |
| Internal receivables | 14,288 | - | - | - | 14,288 | (14,288) | - |
| Capital assets: | | | | | | | |
| Not subject to depreciation | - | - | - | - | - | 56,700 | 56,700 |
| Depreciable (net of accumulated depreciation) | - | - | - | - | - | 122,323 | 122,323 |
| Total assets | <u>\$ 47,980</u> | <u>\$ 16,647</u> | <u>\$ 11,181</u> | <u>\$ 4,940</u> | <u>\$ 80,748</u> | 164,735 | 245,483 |
| Liabilities | | | | | | | |
| Internal payables | \$ - | \$ 14,288 | \$ - | \$ - | \$ 14,288 | (14,288) | - |
| Fund Balances/Net Assets | | | | | | | |
| Fund balances: | | | | | | | |
| Reserved for book purchases | - | - | - | 4,940 | 4,940 | (4,940) | - |
| Unreserved | 47,980 | 2,359 | 11,181 | - | 61,520 | (61,520) | - |
| Total fund balances | 47,980 | 2,359 | 11,181 | 4,940 | 66,460 | (66,460) | - |
| Total liabilities and fund balances | <u>\$ 47,980</u> | <u>\$ 16,647</u> | <u>\$ 11,181</u> | <u>\$ 4,940</u> | <u>\$ 80,748</u> | | |
| Net assets: | | | | | | | |
| Invested in capital assets | | | | | | 179,023 | 179,023 |
| Restricted for: | | | | | | | |
| Book purchases | | | | | | 4,940 | 4,940 |
| Unrestricted | | | | | | 61,520 | 61,520 |
| Total net assets | | | | | | <u>\$ 245,483</u> | <u>\$ 245,483</u> |

See Notes to Financial Statements.

Clio Area Library

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

| | General Fund | Building Fund | Book Fund | Nonmajor Governmental Fund Permanent Fund Mary J. Lee Book Fund | Total | Adjustments (Note 2B) | Statement of Activities |
|--|------------------|------------------|------------------|---|------------------|--------------------------|----------------------------|
| Expenditures/Expenses | | | | | | | |
| Library operations | \$ 51,585 | \$ - | \$ - | \$ 269 | \$ 51,854 | \$ 7,600 | \$ 59,454 |
| Revenue | | | | | | | |
| Program revenue: | | | | | | | |
| Operating contributions - members | 41,500 | - | - | - | 41,500 | - | 41,500 |
| General revenue - interest, dividends, and miscellaneous | 2,041 | 688 | 477 | - | 3,206 | - | 3,206 |
| Total revenue | 43,541 | 688 | 477 | - | 44,706 | - | 44,706 |
| Excess (deficiency) of revenue over expenditures | (8,044) | 688 | 477 | (269) | (7,148) | 7,148 | - |
| Change in net assets | - | - | - | - | - | (14,748) | (14,748) |
| Fund Balance/Net Assets | | | | | | | |
| Beginning of the year | 56,024 | 1,671 | 10,704 | 5,209 | 73,608 | - | 260,231 |
| End of the year | \$ 47,980 | \$ 2,359 | \$ 11,181 | \$ 4,940 | \$ 66,460 | \$ - | \$ 245,483 |

See Notes to Financial Statements.

Notes to Financial Statements

Note I - Summary of Significant Accounting Policies

The accounting policies of the Clio Area Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Clio Area Library.

A. Reporting Entity

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Clio Area Library provides facilities for library patrons; the books and all support personnel are provided by the Genesee Intermediate School District, and are not included in these financial statements.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and upon a favorable vote of the majority, will be released from the agreement.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although they can be legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Library currently does not have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, government contributions, and other items not properly included among program revenues are reported instead as *general revenue*.

Note I - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if the funds exist. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently does not have any proprietary funds or fiduciary funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental contributions are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental contributions and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Fund is used to account for building maintenance costs.

The Book Fund is used to account for book purchases.

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the government reports the following fund type:

Permanent fund is used to report resources legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition.

2. Investments

Investments for the Library are stated at fair value. Certificates of deposit with a maturity date of greater than 90 days at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Note I - Summary of Significant Accounting Policies (Continued)**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 39 |
| Building improvements | 5-39 |
| Equipment and furniture | 7 |

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

| | |
|--|-------------------------|
| Capital assets | <u>\$179,023</u> |
| Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i> | <u><u>\$179,023</u></u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

| | |
|---|------------------------|
| Capital outlay | \$ 8,031 |
| Depreciation expense | <u>(15,631)</u> |
| Net adjustment to decrease <i>net changes in fund balances -total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u><u>\$ 7,600</u></u> |

Note 3 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are prepared for the general fund and special revenue funds on a total fund basis prior to June 30 and are presented to the participating municipalities for their approval. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the board. Appropriations lapse at the end of each year.

Note 4 - Detailed Notes on All Funds

A. Deposits and Investments

The Library's cash and cash equivalents consist of various interest-bearing savings and checking accounts.

At year end, the bank balance of the Library's deposits was \$33,211. Of the bank balance, 100% was covered by Federal Depository Insurance.

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 38,520 |
| Investments | <u>27,940</u> |
| Total | <u>\$ 66,460</u> |

The breakdown between deposits and investments is as follows:

| | |
|--|------------------|
| Bank deposits (checking and savings accounts, certificates of deposits) | \$ 32,520 |
| Government and agency security mutual funds | <u>33,940</u> |
| | <u>\$ 66,460</u> |

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library Board has adopted the above as its investment policy and additionally approved the following as its authorized depository: National City Bank.

Note 4 - Detailed Notes on All Funds (Continued)**A. Deposits and Investments (Continued)**

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

Credit risk of investments:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no policy that further limits its investment choices. As of year end, the credit quality ratings of the debt securities are as follows:

| <u>Type of Investment</u> | <u>Carrying Value</u> | <u>Rating</u> |
|---------------------------------------|-----------------------|---------------|
| Gov't and agency security mutual fund | \$ 33,940 | Not available |

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 56,700 | \$ - | \$ - | \$ 56,700 |
| Total capital assets, not being depreciated | 56,700 | - | - | 56,700 |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 412,309 | 6,006 | - | 418,315 |
| Office equipment and furniture | 5,291 | 2,025 | - | 7,316 |
| Total capital assets being depreciated | 417,600 | 8,031 | - | 425,631 |
| Less accumulated depreciation for: | | | | |
| Building and building improvements | (282,969) | (15,214) | - | (298,183) |
| Office equipment and furniture | (4,708) | (417) | - | (5,125) |
| Total accumulated depreciation | (287,677) | (15,631) | - | (303,308) |
| Total capital assets, being depreciated, net | 129,923 | (7,600) | - | 122,323 |
| Governmental activities capital assets, net | \$ 186,623 | \$ (7,600) | \$ - | \$ 179,023 |

Note 4 - Detailed Notes on All Funds (Continued)**B. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

| | |
|--------------------|------------------|
| Library operations | <u>\$ 15,631</u> |
|--------------------|------------------|

| | |
|--|-------------------------|
| Total depreciation expense - governmental activities | <u><u>\$ 15,631</u></u> |
|--|-------------------------|

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-------------------------|
| General Fund | Building Fund | <u><u>\$ 14,288</u></u> |

The interfund balance is due to the General Fund purchasing doors for the Library.

Note 5 - Other Information**A. Related party transactions**

The Library contracts with Vienna Library (one of its members) to provide accounting services to the Library. The total amount of the contract for the year ended June 30, 2008, was \$1,420.

B. Risk management and contingent liabilities

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplementary Information

Clio Area Library

General Fund Budgetary Comparison Schedule Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|------------------|------------------|-----------------|
| | Original | Amended | | Amended Budget |
| Revenue | | | | |
| Intergovernmental: | | | | |
| Charter Township of Vienna | \$ 25,626 | \$ 25,626 | \$ 25,626 | \$ - |
| City of Clio | 6,669 | 6,669 | 6,669 | - |
| Thetford Township | 9,205 | 9,205 | 9,205 | - |
| Interest | 1,500 | 1,500 | 2,041 | 541 |
| Total revenue | 43,000 | 43,000 | 43,541 | 541 |
| Expenditures | | | | |
| Current: | | | | |
| Library operations: | | | | |
| Utilities | 15,700 | 12,500 | 12,444 | 56 |
| Repairs and maintenance | 8,000 | 10,500 | 10,297 | 203 |
| Insurance | 5,500 | 4,600 | 4,553 | 47 |
| Audit and consulting | 2,000 | 2,700 | 2,700 | - |
| Custodial services | 8,400 | 8,400 | 8,180 | 220 |
| Office, postage, and miscellaneous | 1,700 | 1,500 | 1,487 | 13 |
| Grounds maintenance | 1,300 | 2,900 | 2,636 | 264 |
| Capital outlay | 400 | 9,400 | 9,288 | 112 |
| Total expenditures | 43,000 | 52,500 | 51,585 | 915 |
| Excess of revenue over expenditures | - | (9,500) | (8,044) | 1,456 |
| Fund Balances - Beginning of year | 56,024 | 56,024 | 56,024 | - |
| Fund Balances - End of year | \$ 56,024 | \$ 46,524 | \$ 47,980 | \$ 1,456 |

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

Clio Area Library

Building Fund Budgetary Comparison Schedule Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|-----------------|-----------------|-------------------|
| | Original | Amended | | Amended Budget |
| Revenue | | | | |
| Interest | \$ 300 | \$ 300 | \$ 688 | \$ 388 |
| Expenditures | | | | |
| Current: | | | | |
| Library operations: | | | | |
| Repairs and maintenance | 300 | 300 | - | 300 |
| Excess of revenue over expenditures | - | - | 688 | 688 |
| Fund Balance - Beginning of year | 1,671 | 1,671 | 1,671 | - |
| Fund Balance - End of year | \$ 1,671 | \$ 1,671 | \$ 2,359 | \$ 688 |

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

Clio Area Library

Book Fund Budgetary Comparison Schedule Year Ended June 30, 2008

| | Budgeted Amounts | | | Variance with |
|---|------------------|------------------|------------------|-------------------|
| | Original | Amended | Actual | Amended Budget |
| Revenue | | | | |
| Interest | \$ 400 | \$ 400 | \$ 477 | \$ 77 |
| Expenditures | | | | |
| Book expense | 400 | 400 | - | 400 |
| Excess of revenue over expenditures | - | - | 477 | 477 |
| Fund Balance - Beginning of year | 10,704 | 10,704 | 10,704 | - |
| Fund Balance - End of year | \$ 10,704 | \$ 10,704 | \$ 11,181 | \$ 477 |

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

Clio Area Library

Report to the Board of Trustees
June 30, 2008



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To the Board of Trustees
Clio Area Library

We have recently completed our audit of the basic financial statements of Clio Area Library (the "Library") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Library:

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We are grateful for the opportunity to be of service to the Clio Area Library. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 22, 2008

Report on Internal Control

September 22, 2008

To the Board of Trustees
Clio Area Library

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Library's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Clio Area Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

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accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses. We believe that the following deficiencies constitute material weaknesses.

Segregation of Duties

Because of the small size of the Library staff, one person has complete responsibility for the processing of financial information. This arrangement causes a lack of what is termed segregation of duties. When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. The following are some controls to achieve adequate segregation of duties:

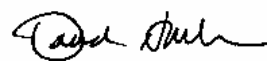
- Do not permit any one employee to handle a transaction from beginning to end
- Separate cash handling from recordkeeping
- Separate the cash receipt function from the cash disbursement function

Because of the small size of the Library's accounting staff, it may not be practical or cost effective to put all or any of the above controls in place. We would recommend at a minimum that the Library Treasurer receive the unopened bank statement and review the cancelled checks. Alternatively, if on-line banking is available, the Treasurer could access and review the check images via the internet. Either of these procedures would provide some detection control over the possibility of unauthorized disbursements by the bookkeeper.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Tadd Harburn, CPA

Results of the Audit

September 22, 2008

To the Board of Trustees
Clio Area Library

We have audited the financial statements of Clio Area Library for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2008 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Clio Area Library. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies

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used by Clio Area Library are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of capital assets.

Management's estimate of the depreciable lives of capital assets is based on prior knowledge and experience. We evaluated the key factors and assumptions used to develop the useful lives of depreciable assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

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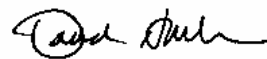
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of Board of Trustees and management of Clio Area Library and is not intended to be and should not be used by anyone other than these specified parties

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a stylized flourish at the end.

Tadd Harburn, CPA

Recommendations

Review of Journal Entries

The bookkeeper prepares and posts journal entries and no one is reviewing the entries. We recommend that someone review the journal entries, especially since there is a lack of segregation of duties due to the small size of the Library staff.